

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 EB-11 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 SCI-06

FEA-02 INT-08 DRC-01 /198 W
----- 036150

P R 210845Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9388

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

RUFHBGXAMEMBASSY LUXEMBOURG 264

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

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LIMITED OFFICIAL USE SECTION 1 OF 4 TOKYO 00847

C O R R E C T E D C O P Y (LAST LINE OF TEXT OMITTED ON ORIGINAL
MSG)

STATE ALO FOR T/IEP

E.O. 11652: GDS

TAGS: EFIN, JA

SUBJECT: ENERGY: ECONOMIC SITUATION AND OUTLOOK - JAPAN

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REF: A. STATE 7324; B. STATE 3452; B. STATE 2951

SUMMARY: FOLLOWING IS INITIAL REPLY TO REFTELS WHICH REQUESTED REPORT ON IMPACT OF ENERGY SITUATION ON ECONOMIC OUTLOOK AND BALANCE OF PAYMENTS PROSPECTS. THIS MESSAGE COVERS REF A., PARAS 6A, B AND C, AS WELL AS REF C. QUESTIONS RAISED REF A, PARA D, BEING REPORTED SEPTEL. LATER MESSAGES WILL DEAL WITH SPECIFIC ASPECTS AND UPDATE INFO AS REQUESTED REF A, PARA 8. THIS AND OTHER REPORTS WILL CONTAIN REFERENCES TO MATERIAL PREVIOUSLY SUBMITTED WHICH IN MANY CASES TREATS SUBJECT IN GREATER DETAIL. END SUMMARY.

1. CURRENT ATTITUDE. GOVERNMENT OFFICIALS AND BUSINESSMEN NOW GENERALLY SOMEWHAT RELAXED ABOUT IMPACT OF ENERGY SITUATION AND ECONOMIC PROSPECTS FOR 1974, ALTHOUGH RECOGNIZING THAT IMPACT OF OIL PRICE INCREASED WILL INHIBIT RATE OF GNP GROWTH. MAJOR CURRENT CONCERN IS ACCELERATED PACE OF DOMESTIC INFLATION WHICH EXACERBATED BY OIL PRICE HIKES. IN VIEW OF ACCELERATED PRICE ADVANCE (WHICH SOME BELIEVE IS NOW CLOSE TO "HYPER-INFLATION" STAGE). THERE IS UNIVERSAL AGREEMENT ON CONTINUED NEED FOR STRONG DEFLATIONARY MEASURES ALREADY ENACTED. OFFICIALS BELIEVE POLICY ADEQUATE TO SUPPRESS EXCESS DEMAND AND HOPEFUL THAT BY MARCH OR APRIL TIGHT SUPPLY SITUATION WILL HAVE EASED RELATIVE TO DOMESTIC DEMAND LEVELS THEN PREVAILING. NO CONCERN SHOWN ANYWHERE AT PRESENT TIME THAT POLICIES MIGHT LEAD TO "OVERKILL" AND THUS TO A PROLONGED RECESSION.

2. MATERIAL SHORTAGES AND RUNAWAY INFLATION IN JAPAN PREDATE MEA OIL CUTBACKS AND PRICE HIKES, WHILE OIL CRISIS HAS COMPOUNDED DOMESTIC ECONOMIC PROBLEMS AND RESULTED IN TOUGHER DEFLATIONARY MEASURES. FULL ACCOUNT OF SITUATION AND POLICIES THROUGH MID-DEC. TRANSMITTED IN RECENT ECONOMIC TRENDS REPORT (A-977 DATED 12/17/73). MORE RECENT DEVELOPMENTS EXTENSIVELY REPORTED BY CABLES. EMBASSY STRESSES IMPOSSIBILITY OF COMPLETELY IDENTIFYING OR DISENTANGLING ECONOMIC SITUATION OR POLICIES LIMITED OFFICIAL USE

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ATTRIBUTABLE ON THE ONE HAND TO OIL SITUATION FROM ALL OTHER FACTORS ON THE OTHER.

3. SHORTAGES: CONTRARY TO JAPANESE FEARS FOLLOWING INITIAL OIL CUTBACK, ECONOMIC DISRUPTION HAS BEEN MUCH Milder THAN ANTICIPATED IN DARKEST MOMENTS. DOMESTIC CONSUMER GOODS SHORTAGES THAT HAVE DEVELOPED ARE DUE IN MANY INSTANCES TO LOCAL HOARDING/SPECULATION BY

DISTRIBUTORS AND CONSUMERS. FOR SOME CONSUMER GOODS DEALERS CHARGE WHATEVER PRICE THEY WISH AND HOUSEWIVES FIND PRICES MARKED UP SEVERAL TIMES EVEN WITHIN ONE DAY. MITI INVESTIGATING AND UNCOVERING SOME HOARDS OF ESSENTIAL CONSUMER ITEMS. SPECULATIVE BUYING/HOARDING MUCH MORE PERVASIVE THAN ORIGINALLY ESTIMATED AND CREATING GROWING UNREST AMONG CONSUMERS. IN INDUSTRIAL SECTOR, SHORTAGES (SOME OF LONG STANDING) APPARENT IN NOV-DEC 1973 WITH SITUATION EXPECTED TO WORSEN DURING FIRST QUARTER 1974 AS REPORTED SEPTEL. JAN INCREASE IN WPI ALREADY 2.2 PERCENT IN FIRST 10 DAYS AND OFFICIALS EXPECT RISE FOR ENTIRE MONTH TO EXCEED ENORMOUS 7.1 PERCENT INCREASE FROM NOV TO DEC. THESE FIGURES DO NOT REFLECT HIGHER PETROLEUM COSTS WHICH ONE SENIOR OFFICIAL ESTIMATED WOULD ALONE LEAD TO 4.5 PERCENT INCREASE IN WPI. THUS, IMMEDIATE PROSPECT IS FOR FURTHER WORSENING OF INFLATIONARY SITUATION OVER NEXT FEW MONTHS WITH SOME DELAY FO FULL EFFECTS ON CONSUMER PRICE INDEX. INFLATIONARY EFFECT OF RECENT YEN DEVALUATION CONSIDERED REGRETTABLE BUT NECESSARY IN VIEW OF EXIGENCY OF PREVENTING FURTHER RESERVE DRAINS.

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OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 SCI-06

FEA-02 INT-08 DRC-01 ISO-00 /198 W

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P R 210845Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9389

INFO AMEMBASSY BERN

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STATE ALSO FOR T/IEP

4. FOLLOWING IS RESPONSE TO REFTEL A, PARA 6A. MONETARY
AND FISCAL POLICIES. LATEST ANTIINFLATIONARY
STRATEGY APPROVED BY CABINET DEC 29. OBJECTIVE IS
SUBSTANTIAL SLOWDOWN IN NOMINAL GNP GROWTH THROUGH
RESTRAINING INCREASES IN GOVERNMENT SPENDING AND
PRIVATE INVESTMENT. DEFLATIONARY JFY 74 BUDGET
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(REPORTED TOKYO 63 AND A-39 DATED JAN 17, 1974) CALLS
FOR SMALLEST PERCENT INCREASE IN EXPENDITURE IN PAST
THREE YEARS (19.7 PERCENT FOR GENERAL ACCOUNT BUDGET
AND 14.4 PERCENT FOR FISCAL LOAN AND INVESTMENT PROGRAM).
TAX REVENUES CONSERVAIVELY ESTIMATED TO INCREASE BY
24.3 PERCENT JFY 74 EVEN AFTER INCORPORATING LARGEST
PERSONAL INCOME TAX CUT ON RECORD. BOJ DISCOUNT RATE
UPPED FOR FIFTH TIME DEC 22 TO 9 PERCENT. BOJ
WINDOW GUIDANCE ON BANK LOANS WAS FURTHER TIGHTENED
WITH GROWTH FOR JAN-MAR TO BE 34.6 PERCENT LESS THAN
CORRESPONDING INCREASE SAME QUARTER YEAR AGO. IN
ADDITION, MOF IMPOSING "SELECTIVE LENDING" GUIDELINES
WHICH ESTABLISH LENDING PRIORITIES BY ECONOMIC SECTOR
TO BE FOLLOWED BY BANKS. SECURITY DEALERS URGED TO
LIMIT SEVERELY NEW ISSUES AS ADDITIONAL RESTRAINT ON
CORPORATE BORROWING. PRICE STABILIZATION AND ANTI-
HOARDING BILL PASSED BY PARLIAMENT LATE DEC (TOKYO
15634) BUT ENFORCEMENT IS PROVING DIFFICULT IN VIEW
OF COMPLEX JAPANESE DISTRIBUTION SYSTEM AND LACK OF
ADEQUATE STATISTICAL INFORMATION. BILL CONTAINS NO
STANDBY AUTHORITY FOR MANDATORY PRICE CONTROL PROGRAM
AS IN U.S. LEGISLATION. NEED FOR EXCESS PROFITS TAX
TO CURB PRICE RISES BEING ADVOCATED BY MITI VICE
MINISTER. LAST WEEK'S "GENTLEMEN'S AGREEMENT" BY THE
FOUR MAJOR BUSINESS ORGANIZATIONS NOT TO INCREASE PRICES
ALREADY BEING IGNORED BY JAPAN'S GIANT CORPORATIONS.
THEREFORE, GOJ JAW-BONING EFFORT PROVING GENERALLY

UNSUCCESSFUL.

5. FOLLOWING IS RESPONSE TO REFTEL A, PARA 6B - TRADE POLICY: GOJ HAS TO DATE TAKEN RELATIVELY RELAXED ATTITUDE TOWARD JAPAN'S INTERNATIONAL TRADE AS IT IS AFFECTED BY ENERGY CRISIS. GOJ HAS PLACED BAN ON ALL EXPORTS OF POL PRODUCTS, BUT THIS HAS HAD VERY SMALL EFFECT IN LIGHT LIMITED PRE-CRISIS EXPORTS IN THIS SECTOR. IT HAS TAKEN NO OTHER POLICY MEASURES EITHER TO RESTRICT OR EXPAND IMPORTS OR EXPORTS. PRIOR TO OIL CRISIS, IN EFFECT ALLEVIATE DOMESTIC INFLATIONARY PRESSURES, MITI INFORMALLY URGED FIRMS IN SEVERAL INDUSTRIES, PARTICULARLY STEEL, TO GIVE PREFERENCE TO ORDERS FROM DOMESTIC FIRMS. GOJ WISHED AVOID EXPORT LIMITED OFFICIAL USE

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CONTROLS AT ALMOST ALL COST IN VIEW ITS CONCERN ABOUT EXPORT CONTROLS ON RAW MATERIALS AND AGRICULTURAL PRODUCTS THAT MIGHT BE INTRODUCED BY ITS TRADITIONAL SUPPLIERS. RATHER THAN PLACE LIMITATIONS ON EXPORTS, GOVT RECENTLY HAS SHOWN CONCERN OVER FACT THAT DOMESTIC DEMAND HAS SOAKED UP CERTAIN COMMODITIES THAT WOULD NORMALLY HAVE BEEN EXPORTED. THIS CONCERN HAS ARISEN FROM FOREIGN POLICY CONSIDERATIONS AND RECENT TANAKA SEA TRIP HAS HIGHLIGHTED FOR JAPANESE NEED TO DEMONSTRATE THAT JAPAN IS DEPENDABLE SUPPLIER OF GOODS AND SERVICES. GREATEST CONCERN IS CENTERED IN FIRMS DEPENDENT ON BASIC MATERIAL IMPORTS WHO WOULD BE MOST HEAVILY HIT BY EXPORT CONTROLS ON PART OF SUPPLYING COUNTRIES. GOJ HAS ALREADY TAKEN ACTION TO ASSURE SUPPLIES OF CERTAIN MATERIALS TO SAUDI ARABIA AND IRAN AND IS CONSIDERING WHAT SIMILAR ACTIONS IT MIGHT TAKE WITH RESPECT TO SEA. CURRENT DEBATE IN JAPAN CENTERS AROUND NEED OR LACK OF NEED FOR INTENSIFICATION OF EXPORT PROMOTION ACTIVITIES. MITI BUREAUCRATS, HEADED BY THEIR MINISTER NAKASONE, HAVE BEGUN TO CALL FOR GREATER EFFORTS TO PUSH JAPAN'S EXPORTS TO COVER INCREASED COST OF OIL IMPORTS. THESE VIEWS HAVE BEEN SUPPORTED BY SOME SEGMENTS OF BUSINESS COMMUNITY. SOLID STAFF ECONOMIST FOR FEDERATION OF ECONOMIC ORGANIZATIONS (KEIDANREN), KAZUO, NUKAZAWA, HAS TOLD EMBOFF THAT MAJORITY OPINION WITHIN KEIDANREN IS OPPOSED TO RENEWED EXPORT DRIVE. HE DESCRIBES THOSE ADVOCATING SUCH A COURSE FROM BUSINESS SIDE AS GRANDFATHERS WHO CAN ONLY SEE RETURN TO POLICIES THAT WERE EFFECTIVE IN YEARS PAST. NUKAZAWA STATES THAT MAJORITY OF BUSINESS COMMUNITY BELIEVE THAT IN PERIOD OF WORLD SHORT-AGE JAPANESE INDUSTRY CAN SELL WHATEVER IS AVAILABLE. PROBLEM WILL BE TO FREE SUPPLIES FOR EXPORT. IT SEES EXPORT PROMOTION DRIVE BY GOVT AS HAVING LITTLE PRACTICAL EFFECT AND AS RUNNING RISK OF ANTAGONIZING

JAPAN'S TRADING PARTNERS. JAPAN'S TRADE PROSPECTS IN
COMING YEAR BEING REPORTED SEPTEL.

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ACTION EA-14

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INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02

SCI-06 FEA-02 INT-08 DRC-01 /198 W

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P R 210845Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9390

INFO AMEMBASSY BERN

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STATE ALSO FOR T/IEP

6. CURRENT ECONOMIC SITUATION: CONTRARY TO PREVIOUS
EXPECTATIONS, INDUSTRIAL PRODUCTION (MANUFACTURING AND
MINING, SEASONALLY ADJUSTED) IN FOURTH QUARTER 73 CON-
TINUED TO SHOW GAINS OF PERHAPS 1.6 PERCENT OVER THIRD

QUARTER. PRODUCTION PROBABLY PEAKED IN NOV WHICH
PRELIMINARY ESTIMATES SHOW AT 135.2 (1970-100).
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FRAGMENTARY INFORMATION FOR DEC SUGGESTS TO SENIOR
BOJ OFFICIALS THAT INDEX MAY DI 5 PERCENT IN DEC AND
ANOTHER 2.5 PERCENT IN JAN 74. THIS WOULD BRING JAN
PRODUCTION RATE BELOW 124 WHICH ABOUT SAME AS FEB-MAR
73 AVERAGE. FURTHER OUTPUT DECLINES LIKELY IN NEXT
COUPLE MONTHS IN VIEW OF TIGHTER ENERGY CONTROLS FOR
FEB (TOKYO 601, 631). OFFICIALS GENERALLY NOT
PESSIMISTIC ABOUT RECENT AND PROSPECTIVE PRODUCTION
DECLINES AND ANTICIPATE PRODUCTION PICK UP AGAIN BY
EARLY SECOND QUARTER. CURRENT OPTIMISM FOLLOWS INTEN-

SIVE INTERAGENCY DISCUSSION OF REVISION OF OFFICIAL
GNP AND B/P OUTLOOK, WHICH ORIGINALLY RELEASED DEC
(TOKYO 63). REVISION NECESSARY TO TAKE ACCOUNT OF
DEC OIL PRICE HIKES AND JAN YEN DEVALUATION.

7. REVISED OFFICIAL FORECAST: GOJ OFFICIAL FORECAST
ALWAYS HIGHLY CONSERVATIVE, AND IS USED BY MOF AS
TACTIC FOR HOLDING DOWN GROWTH IN BUDGETARY EXPENDI-
TURE. REVISION OF ORIGINAL FORECAST (COLUMN GOJ
PARA 8 BELOW) REPORTED TO HAVE INVOLVED CONSIDERABLE
INTERAGENCY HAGGLING ABOUT WHAT GOJ SHOULD SAY TO
PUBLIC AND OPPOSITION IN PARLIAMENTARY BUDGET DEBATE.
THUS, REVISION (WHICH DID NOT AFFECT REAL GNP GROWTH, BUT
PRIMARILY INFLATION RATE AND B/P COMPONENTS) FORE-
CAST HEAVILY INFLUENCED BY PURELY POLITICAL CONSIDERA-
TIONS AND MAY EXPLAIN IN PART WEAK JAPANESE DEL PER-
FORMANCE AT OECD SHORT-TERM FORECASTERS MEETING
(OECD PARIS 1530). WHATEVER THE FORECAST MAY PROJECT,
OFFICIALS IN THEIR TALKS WITH EMB OFFICERS ARE BY NO
MEANS GLOOMY NOR ARE THEY PAINTING DISMAL PICTURES.
EMBASSY HOLDING TO ITS OWN FORECAST OF 5 PERCENT REAL
GNP GROWTH IN CY 74 CONTAINED IN RECENT ECONOMIC TRENDS
REPORT BUT PROSPECT NOW IS FOR HIGHER THAN 14 PERCENT INFLATION
RATE PREVIOUSLY FORECAST. EPA OFFICIAL CONCEDES REVISED GOJ
FORECAST NOW ASSUMES 5 PERCENT REAL
FORECAST. THUS, PROSPECT IS FOR SUBSTANTIAL EXPORT
GROWTH (WHICH CONFIRMED BY LOCAL BUSINESSMEN) WHICH WILL
MITIGATE IMPACT ON PRODUCTION AND OUTPUT OF DEFLATING
DOMESTIC DEMAND.

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8. FOLLOWING IS RESPONSE TO REFTEL A, PARA 6C. POST-DECEMBER PROJECTIONS: PROJECTION BY JAPAN ECONOMIC RESEARCH COUNCIL (JERC) GENERALLY CONSIDERED QUITE RELIABLE BY EMBASSY. RECENT DEC FORECAST REPORTED TOKYO 15602 AND A-992 DATED 12/21/73. ONLY A FEW MAJOR BANKS AND RESEARCH HOUSES HAVE RELEASED POST-DEC PROJECTIONS OF GNP AND B/P. EMBASSY CAUTIONS THAT SUCH FORECASTS IN PAST HAVE NOT BEEN VERY RELIABLE, ESPECIALLY B/P OUTLOOK. ESTIMATES OF LONG TERM CAPITAL EXPORTS MERELY GUESSES SINCE MUCH DEPENDS ON GOJ FOREIGN EXCHANGE CONTROL POLICIES. THESE FORECASTS, HOWEVER, INDICATE GENERAL SENTIMENT OF CURRENT ECONOMIC PROSPECTS ON PART OF BUSINESS. PROJECTIONS MADE BY THREE MAJOR BANKS AND TWO RESEARCH INSTITUTES DETAILED TO EXTENT AVAILABLE IN TABLE BELOW. GENERAL ASSUMPTIONS MADE IN COMPUTING FORECASTS ARE AS FOLLOWS: (1) TOTAL CRUDE OIL IMPORTS FOR JFY 1974 TO BE APPROXIMATELY SAME LEVEL OR SLIGHTLY GREATER THAN ASSUMED FOR JFY 1973, E.G. SUMITOMO BANK ASSUMES 300 MILLION KILOLITERS; (2) BOJ TIGHT MONETARY POLICY TO CONTINUE WELL INTO JFY 1974; (3) YEN/DOLLAR PARITY TO REMAIN NEAR YEN 300 DOLLAR; (4) EXPECTATION OF GENERAL WAGE INCREASE IN APRIL 1974 OF 20-25 PERCENT. HEADINGS IN TABLE BELOW ARE KEYED AS FOLLOWS: A - DAIWA BANK; B - NATIONAL ECONOMIC RESEARCH ASSOCIATION; C - NOMURA RESEARCH INSTITUTE (WHICH SUBSEQUENTLY REVISED ITS FORECAST FOR REAL GNP TO PLUS 5 PERCENT FROM 3.1 PERCENT SHOWN IN TABLE); D - BANK OF TOKYO; E - SUMITOMO BANK; GOJ - REVISED OFFICIAL GOJ (I.E. EPA).

(PERCENT CHANGE JFY 73/74)

ITEM	A	B	C	D	E	GOJ
GNP/REAL	3.1	2.4	2.8	3.1	3.5	2.5
GNP/NOMINAL	17.9	15.3	16.9	13.2	21.3	12.9
DEFLATOR	14.4	12.6	13.7	9.8	17.1	10.1
WPI	15.1	12.2	15.5	11.0	18.5	14.6
CPI	14.2	16.1	17.4	9.5	18.6	9.6
IND. PRODN.	2.5	2.2	1.5	5.0	--	1.0

B/P (BIL DOLS)

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	A	D	E	GOJ
EXPORTS	44.4	48.1	48.3	47.1
IMPORTS	42.0	42.5	44.8	43.7
TRADE BALANCE	2.4	:.6	3.5	3.4
CUR. ACCT.	-1.6	1.4	-1.0	-0.45

BASIC BAL. -6.6 -3.7 -5.8 -4.85
OVERAL BAL. -7.1 -3.7 -6.1 ---

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P R 210845Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9391

INFO AMEMBASSY BERN

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STATE ALSO FOR T/IEP

9. ECONOMETRIC ANALYSIS OF OIL SHORTAGE IMPACT:
REPUTABLE ECONOMETRICIAN AKIRA YAJIMA, FORMERLY WITH
OECD, HAS JUST PUBLISHED RESULTS FOR ECONOMIC RESEARCH
INSITITUTE, CENTRAL RESEARCH INSTITUTE OF ELECTRIC POWER

INDUSTRY, MEASURING EFFECT ON GNP AND INDUSTRIAL PRODUCTION GROWTH UNDER VARYING ASSUMPTIONS ABOUT OIL IMPORTS
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FOR 1974. STUDY UTILIZES ECONOMETRIC MODEL FOR DEMAND COMPONENTS AND INPUT/OUTPUT TABLE TO ESTABLISH SUPPLY CONSTRAINTS. STUDY ASSUMED THAT ANY SHORT-FALL IN SUPPLY OVER DEMAND WOULD BE MET BY REDUCTIONS IN INVENTORIES (I.E. ONLY DEMAND SECTOR TO BE AFFECTED). WHILE THIS ASSMPTION HIGHLY RESTRICTIVE, BOJ ECONOMETRICIAN EGUCHI SAYS BOJ RESULTS UNDER LESS RESTRICTIVE ASSUMPTIONS (I.E. ALLOCATING SHORTAGES AMONG VARIOUS DEMAND COMPONENTS) QUITE SILILAR TO THOSE OF YAJIMA. HIGHLIGHTS OF THOSE RESULTS AS FOLLOWS: CY 1973 OIL IMPORTS ESTIMATED AT 280 MIL KILOLITERS (MKL). WITHOUT ANY OIL SUPPLY CONSTRAINTS REAL GNP WOULD HAVE INCREASED 8.7 PERCENT IN CY 1974 AND INDUSTRIAL PRODUCTION (IP) BY 10.6 PERCENT, WHILE OIL IMPORTS WOULD HAVE RISEN BY 13 PERCENT TO 340 MKL. STUDY THEN ANALYZES GNP AND IP RESULTS AT LOWER LEVELS OF OIL IMPORTS WITH FOLLOWING RESULTS: (A) WITH IMPORTS OF 250 MKL, GNP MINUS 1.8 PERCENT AND IP MINUS 6.0 PERCENT FROM 73 LEVEL; (B) WITH OIL IMPORTS 270 MKL. GNP MINUS 0.1 PERCENT IP MINUS 3.1 PERCENT; (C) WITH OIL IMPORTS 280 MKL, GNP PLUS 1.8 PERCENT IP PLUS 0.2 PERCENT; (D) WITH OIL IMPORTS 290 MKL, GNP PLUS 3.0 PERCENT IP PLUS 2.2 PERCENT. ALTERNATIVES C AND ESPECIALLY D PRESENTLY CONSIDERED GENERALLY MORE REALISTIC PROSPECTS BY OFFICIAL AND UNOFFICIAL GNP ESTIMATES.

10. UNEMPLOYMENT (REQUESTED REFTEL A, PARA 6 A AND C): AS INDICATED IN TOKYO 0667, CURRENT THINKING IN JAPAN BY THOSE MOST CONCERNED WITH LABOR MATTERS IS THAT SLOWDOWN IN ECONOMY AS RESULT OF ENERGY CRISIS WILL NOT HAVE UNMANAGEABLE EFFECT ON EMPLOYMENT RATE. EMBOFF DISCUSSED SITUATION WITH TAKESHI SAKURADA, EXECUTIVE DIRECTOR, JAPAN FEDERATION OF EIMPLOYERS' ASSOCIATION (NIKEIREN). SAKAURADA, WHO HAS PUBLICLY BEEN ESTIMATING INCREASE IN UNEMPLOYMENT AT AROUND 300,000 AS RESULT ENERGY CRISIS, AN INCREASE FROM PRESENT 1.4 PERCENT LEVEL TO AS MUCH AS 2 PERCENT, STATED PRIVATE VIEW THAT UNEMPLOYMENT COULD REACH 3 PERCENT, BUT THIS WAS OUTSIDE LIMIT. HE ADDED

THAT HEAVIEST UNEMPLOYMENT BURDEN WOULD FALL ON MEDIUM AND SMALL INDUSTRY AND ON NEW JOB SEEKERS. KAZUO NUKAZAWA,
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ASSISTANT DIRECTOR OF INTERNATIONAL AFFAIRS DEPARTMENT, FEDERATION OF ECONOMIC ORGANIZATIONS (KEIDANREN), CURRENTLY PREDICTING THAT JAPAN'S UNEMPLOYMENT RATE WILL NOT EXCEED OVERALL TOTAL OF 2.4 PERCENT AS RESULT OF PRESENT SITUATION. EMBOFFS HAVE ALSO DISCUSSED SITUATION WITH NUMBER OF UNION OFFICIALS, ALL OF WHOM WERE VERY RELAXED ABOUT POSSIBLE UNEMPLOYMENT AS RESULT OF OIL CRISIS. UNION OFFICIALS WERE QUICK TO POINT OUT, HOWEVER, THAT MAJORITY OF WORKERS IN SMALL AND MEDIUM SIZED INDUSTRY NOT UNION MEMBERS. ALL SEEMED FEEL THAT GOVERNMENT AND MAJOR INDUSTRY EMPLOYMENT WOULD BE ONLY SLIGHTLY AFFECTED BY QUOTE OIL SHOCK END QUOTE. MIKEIREN, KEIDANREN AND UNION REPS WERE UNANIMOUS IN THEIR BELIEF THAT EMPLOYEES WOULD SEEK AND RECEIVE LARGE WAGE INCREASE IN SPRING. UNIONS ESTIMATING 30 PERCENT AND MANAGEMENT SIDE CONSIDERS 25 PERCENT INCREASE AS GOOD BALLPARK FIGURE.

11. COMPREHENSIVE REPORTING B/P OUTLOOK (ALSO REQUESTED REF B) WILL FOLLOW IN SEPTTEL.
SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, IMPORTS, EXPORTS, LESS DEVELOPED COUNTRIES, INFLATION, GNP, FOREIGN MINISTERS MEETINGS, ECONOMIC REPORTS, PRICE INDEXES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO00847
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740126/aaaaayqw.tel
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Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 7324; B. STATE 3452; B. STA, TE 2951
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by shawdg>; APPROVED <29 MAY 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: ECONOMIC SITUATION AND OUTLOOK - JAPAN LIMITED OFFICIAL USE
TAGS: EFIN, JA, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005